



# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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December 3, 1999

CERTIFIED RETURN RECEIPT  
P 074 976 790

Ms. Paula Doughty  
Kennecott Utah Copper Corporation  
8315 West 3595 South  
P.O. Box 6001  
Magna, Utah 84044-6001

Re: Five Year Review and Adjustment of Reclamation Surety Estimate, Kennecott Utah Copper Corporation (KUCC), Tailings Modernization/North Expansion Project, M/035/015, Salt Lake County, Utah

Dear Ms. Doughty:

The Division has completed the five year review and adjustment of the reclamation surety estimate for the KUCC Tailings Modernization/North Expansion. The site inspection of November 18, 1999, revealed there have been no significant changes in the expansion project which would affect the previous reclamation cost estimate. The effect of this review was only a five year escalation of the previous estimate base amount.

A copy of the Division's calculation sheet showing this escalation adjustment is attached. The current reclamation surety being held by the Division is a letter of credit in the amount of \$17,485,000 in year 2000 dollars. The new amount of reclamation surety requested by the Division for this project is **\$20,628,000 in year 2005 dollars**. This new surety amount should not require additional adjustment prior to year 2005 unless significant changes to the approved plan are needed. KUCC may elect to adjust the existing surety to this new amount by means of a rider or post an entirely new surety. If a new surety is to be posted, please contact Joelle Burns at (801) 538-5291 to obtain the current surety form.

The reclamation contract will need to be revised to reflect the new amount and escalation year. A copy of the current reclamation contract and a blank reclamation contract form are

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enclosed for your use. Please provide a reclamation surety for the revised amount with a newly completed reclamation contract to the Division within the next 90 days or by March 3, 2000. If you have any questions regarding this letter or the forms please contact me at (801) 538-5286 or Tony Gallegos at (801) 538-5267. Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "D. Wayne Hedberg". The signature is written in dark ink and is positioned above the printed name and title.

D. Wayne Hedberg  
Permit Supervisor  
Minerals Reclamation Program

jb  
Attachment - surety estimate  
Enclosure: copy of current MR-RC & MR-RC blank  
cc: Mary Ann Wright, Associate Director  
o:\kenncott\m35-15bond.wpd

**SURETY ESTIMATE UPDAT**

Kennecott Utah Copper Corporation  
Tailings Modernization/North Expansion  
Prepared by Utah Division of Oil, Gas & Mining

M/035/015  
Salt Lake County

last revision 2-Dec-1999  
filename m35-15up.wb2

**DESCRIPTION:**

- Previous reclamation surety estimate was \$17,485,000 in year 2000 dollars posted in 1996.
- Reclamation estimate was calculated at the end of 1995 and the surety was posted in early 1996.
- This update adjusts the surety amount using a base amount of \$15,319,000 and base year of 1996.
- The November 18, 1999 site inspection did not result in any changes in the reclamation cost estimate.
- This update adjusts the surety amount for escalation only.
- The estimate 5 year review was due in 2000, therefore, this update escalates 5 years from 2000 to year 2005
- Escalation factors through 1998 are actual Means Historical Cost Indices; the 1999 indice is not yet available.
- Estimated total disturbed area = 3,334 acres

<b>CALCULATIONS</b> <b><math>F = P(1 + i)^{**}n</math></b>	<b>YR</b>	<b>ESCAL</b> <b>FACTOR</b>	<b>BOND</b> <b>AMOUNT</b>
	1994	0.0321	\$0
	1995	0.0193	\$0
F = Future Sum	1996	0.0242	\$15,319,000
P = Present Sum	1997	0.0236	\$15,680,528
i = Escalation Factor	1998	0.0502	\$16,467,691
n = number of periods	1999	0.0327	\$17,006,184
	2000	0.0327	\$17,562,287
Three Yr Average = 3.27%	2001	0.0327	\$18,136,573
Used to Project 5 Yrs	2002	0.0327	\$18,729,639
From the Year 1999	2003	0.0327	\$19,342,099
	2004	0.0327	\$19,974,585
	2005	0.0327	\$20,627,754

**Updated Surety Amount Rounded (2005-\$)**

**\$20,628,000**

\*\* Average cost per acre = \$6,187 (\$/acre)